Transcript of Opening Statement by Senator Kent Conrad (D-ND)
at Senate Budget Committee Hearing on The Budget and Economic Outlook
January 30, 2003

Thank you Mr. Chairman. I want to echo what the Chairman has said in commending Dr. Anderson for his service. We appreciate it very much. We know you certainly could have made more money in the private sector, but your dedication to public service is deeply appreciated both in the executive branch of government, and certainly here.

I'm reminded that it was two years ago that you were here testifying on behalf of Dan Crippen who was the CBO Director who had been injured in a terrible accident. So you were here at that time giving us the view that we were going to be in this very advantageous circumstance of having nearly $6 trillion of budget surpluses over the next decade. What a dramatic change from those happy days. Five-point-six trillion dollars, we were told, over the next decade in surpluses. Now with your new report today, down to $20 billion. And that of course is based on no policy changes – no additional spending, no additional tax cuts. And we all know that the President has laid on the table significant changes, additional tax cuts, making the tax cuts permanent, his growth package – which is virtually all tax cuts, additional spending on prescription drugs and Medicare reform. Obviously, there will be additional costs if we go to war with Iraq. Those are not expressed in the numbers that the acting director will give us today. But if we calculate those changes, the changes the President has proposed in policy, what we see over the next decade is not any surplus, not $5.6 trillion, not $20 billion, but no surpluses. Instead, we would be $1.6 trillion in the red.

Frankly, of greatest concern to me is that not only do we see deficits for as far as the eye can see. But if we also take out Social Security – if we're not taking Social Security funds and using those to pay for tax cuts and using those for other purposes – what we see is really an ocean of red ink out ahead of us for the entire rest of the decade.

Deficits that are what I would call operating deficits, are a more accurate reflection of the real deficits of the federal government, running in the $300 to $400 billion a year range throughout the entire rest of the decade.

And the question becomes, where did the money go? Where did this $7 trillion turn – where did all those dollars go? And what we see is the biggest reason is the tax cuts, both those that have already been enacted and those proposed. Second biggest reason is technical changes, largely that the revenue models, the revenue being generated is not what was anticipated given various levels of economic activity, really that revenue was being overestimated quite apart from the tax cuts. Third biggest reason is spending – 25 percent of the reason of the disappearance of the surplus is spending that has already occurred and that is projected to occur under the President's plans. Most of that has gone for defense and homeland security. And then the smallest part is the economic downturn, some 10 percent of the reason for the disappearance of the surplus.

This leaves us with very unfortunate results with respect to the national debt. You'll recall the President told us in his plan of two years ago that he was going to have maximum pay down of the debt. And that's not what we see now. Instead, we see substantial increasing of the debt. In fact, the debt by 2008 when the President said his plan would allow for virtual elimination of the debt, instead, we'll have a debt of some $4.8 trillion, and again that's publicly held debt.

Why does all this matter so much? Director Crippen testified here last year as we look ahead, "Put more starkly, Mr. Chairman, the extremes of what will be required to address our retirement are these: We'll have to increase borrowing by very large, likely unsustainable amounts; raise taxes to 30 percent of GDP, obviously unprecedented in our history; or eliminate most of the rest of the government as we know it." Then he concluded, "That's the dilemma that faces us in the long run, Mr. Chairman, and these next 10 years will only be the beginning."

Here's what he was talking about. We're in the sweet spot of the fiscal cycle now. That is, the trust funds of Social Security and Medicare are running surpluses now. But when we get Social Security out to 2017, the baby boom generation has started to retire, the trust fund goes cash negative, and when it does, it goes cash negative in a very significant way, very dramatic way.

And that's why I have always believed that, generally, during this period we should not be running deficits at all. That, in fact, we should either be paying down debt or we should be pre-paying the liability that's to come. Unfortunately, we're doing neither and the President's plan digs the hole deeper, much deeper. A hole that is really stunning, approaching $4 trillion over the next decade when one safeguards the Social Security funds which virtually everyone in Congress had pledged to do.

With that Mr. Chairman, I look forward to the testimony of our witness and questions of our colleague.